
MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, H-178
Salem, OR 97301
503-986-1828



To: Joint Legislative Committee on Information Management and Technology

From: Ed Arabas, Principal Legislative IT Analyst

Date: 26 April 2023

Subject: Public Employees Retirement System IT Modernization Budget Request

Request: The Public Employees Retirement System (PERS) is requesting a \$9,573,073 Other Funds expenditure limitation increase for the 2023-2025 biennium to “establish a program of projects focused on modernizing its core pension administration system, business processes and supporting technology systems.” PERS Oregon Retirement Information Online Network (ORION) is the complex set of systems, databases and applications that enables the agency to provide pension administration and service to members, employers, and other stakeholders.

LFO Analysis:

As an agency, PERS administers public employee benefit trusts that serve to provide members with retirement benefits and services. PERS customers include approximately 233,000 non-retired members, 160,000 retired members or beneficiaries, and over 900 public employers. Currently, the majority of PERS member interactions with their retirement system occur via paper documents or phone calls.

Beginning in 2003, PERS undertook a multi-stage project to replace the aging Retirement Information Management System (RIMS) with a pension administration system, which today is part of the Oregon Retirement Information Online Network (ORION). All stages of that modernization effort were concluded in 2011 at a total estimated cost of \$39.7 million. The core pension administration software (jClarety) remains supported and stable, but ongoing changes to retirement benefits have introduced significant operational and technical complexity to ORION, which include the on-going maintenance of the Oregon Public Service Retirement Plan (OPSRP), the use of a third-party administration contractor to implement the Individual Account Program (IAP), and software development to address PERS’ unfunded actuarial liability in response to SB1049 (2019).

Modernizing ORION is a large, complex effort, with attendant elevated risks. Using resources provided by the Legislature since 2021, PERS has developed a four-biennium modernization roadmap, with completion estimated in the 2029-31 biennium. The total cost is not yet known, but it is expected to be substantial. PERS undertook pre-planning and design work (including program governance, process mapping, readiness

assessment, and initial project delineation) and produced appropriate supporting documents for establishing an PERS ORION Modernization Program. These efforts underpin and support PERS' current funding request and align with other modernization efforts undertaken in Oregon (such as the ODOT DMV Service Transformation and the DOR Core System Replacement projects).

Legislative actions since 2021:

- (1) During the 2021 session, the Legislature provided \$800,000 Other Funds expenditure limitation on a one-time basis to begin the planning phase for ORION modernization. Additional funding was contingent upon PERS adhering to all Stage Gate Oversight Model requirements, the successful completion of the migration of the PERS Production Data Center to the State Data Center and Warm-site/Backup Data Center (disaster recovery) Projects, and completion of an independent information security assessment.

EIS Oversight Actions: In 2021, the State CIO approved a Stage Gate 1 endorsement related to the initial \$800,000 investment in September 2021, which was amended in May 2022. These activities were related solely to contracted services for program pre-initiation planning and analysis.

- (2) In June 2022, PERS submitted a request to the Emergency Board for \$4,490,000 Other Funds expenditure limitation and one limited duration and 18 permanent positions (3.92 FTE) to continue with comprehensive planning and design efforts during the 2021-23 biennium. The Emergency Board approved \$3,797,797 Other Funds expenditure limitation and six limited duration positions (2.75 FTE) in order to establish a modernization program, provide for oversight and procurement services, undertake strategic architectural planning, and define the development and operations lifecycle for the modernization program.

Legislative Oversight Actions: In response to the June 2022 Emergency Board request, the Legislative Fiscal Office (LFO) recommended a more deliberate, three-phase approach, comprising pre-modernization planning, modernization planning, and modernization execution and implementation. Subsequently, PERS adopted a Modernization Program Charter, initiated a business analysis consulting contract, and engaged with EIS Project Portfolio Performance (PPP) staff related to Stage Gate requirements.

- (3) The Governor's 2023-25 Biennial Budget includes Policy Option Package (POP) 103, in which PERS is requesting \$9,573,073 Other Funds expenditure limitation and 15 permanent and 1 limited duration positions (14.41 FTE) to establish a program of projects focused on modernizing its core pension administration system, as well as PERS business processes and supporting technology systems, which will revitalize service delivery to members by integrating all the PERS retirement benefit plans into one system.

Legislative Oversight:

- a. On February 21, 2023, as part of its 2023-25 Phase I Budget Presentation, PERS provided a very high-level overview of POP 103 (ORION Modernization) to the General Government Subcommittee of the Joint Committee on Ways and Means.
- b. On April 6, 2023, as part of its 2023-25 Phase II Budget Presentation, PERS provided a more-detailed overview of POP 103 (ORION Modernization), including proposed workstreams, to the General Government Subcommittee of the Joint Committee on Ways and Means.

- c. April 26, 2023: PERS will provide an overview presentation on POP 103 (ORION Modernization) to the JLCIMT. EIS and LFO will provide the JLCIMT with recommendations for consideration and adoption.

Under ORS 276A.206, the State Chief Information Officer (CIO) has the primary responsibility to provide oversight for all major information technology investments by executive branch agencies. Over the past several biennia, the State CIO and Enterprise Information Services (EIS) staff have begun planning for Executive Branch enterprise modernization efforts, which involves EIS staff partnering with Executive Branch agencies in the development of multi-year IT modernization plans for retiring legacy systems and optimizing service delivery. EIS published a Modernization Playbook in 2021 as a guide to digital transformation, and PERS is now pursuing modernization planning that is in alignment with this playbook.

Recommendation: The Legislative Fiscal Office (LFO) recommends conditional approval of Policy Option Package #103, assuming the requested spending authority and personnel resources are made available to PERS within HB 5033. Specifically, LFO recommends that PERS:

- (1) Follow the Joint State OSCIO/LFO Stage Gate review process.
- (2) Hire or obtain via contract qualified program and project managers with experience on programs of similar size and complexity.
- (3) Hire or obtain via contract qualified business analysts/technical resources with experience on programs of similar size and complexity.
- (4) Carefully consider lessons learned from other modernization efforts in Oregon, as well as retirement system modernizations from other governmental units (state, provincial, and municipal/regional).
- (5) Work with EIS to engage an independent quality management services (iQMS) contractor. The iQMS contractor should:
 - a. Conduct an initial risk assessment for the PERS Modernization Program (and, where appropriate, component projects).
 - b. Perform quality control reviews on key program and project deliverables, including the program and project business cases, the modernization roadmap, and other foundational program and project management documents (as appropriate).
 - c. Perform ongoing, independent quality management services as directed by EIS, and provide both EIS and LFO with copies of all iQMS deliverables, as required by ORS 276A.236.
- (6) Provide a modernization program status report to the Joint Legislative Committee on Information Management and Technology during the 2024 Legislative session, including:
 - a. Updates to the business case, foundational program and project management docs, and system design artifacts, as necessary.
 - b. Updates to integrated implementation timeframes for the PERS modernization program and all component projects.
 - c. Updates to program budget and spending plans and anticipated total costs.
- (7) Utilize the EIS Enterprise Project and Portfolio Management (PPM) System for all project reviews, approvals, and project status and for iQMS reporting activities throughout the life of the PERS ORION Modernization Program.

- Motion on the LFO recommendations

Final Committee Action

Transmit the Joint Legislative Committee on Information Management and Technology recommendations to the General Government Subcommittee of the Joint Committee on Ways and Means.